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Approved For Release 1999/09/20 : CIA-RDP78-04724A000200020016-5  
SIMPLIFYING THE ALLOTMENT SYSTEM

In anticipation of our first cost-based budget in fiscal year 1962, the Organization is increasing emphasis towards the use of cost data for management purposes. By fiscal year 1960, the Comptroller plans to place all operations on a cost basis, with the view of submitting a cost-based budget to the Congress for fiscal year 1962.

Insert  
Substitute  
attached  
One of the first steps in ~~starting~~ cost-based operations is developing an accounting system that is designed for cost purposes to serve the needs of management rather than adjusting another system, which is not designed for this purpose. In the past, this Organization and other government agencies could not have <sup>satisfactory</sup> proper cost classifications in their obligational accounting systems, so a complex allotment structure was developed in an attempt to provide <sup>the cost</sup> operating information. The allotment system was only intended to control available funds <sup>to serve the management purposes of Operating Officials</sup> and could never be designed to provide management, on a simplified basis, <sup>with</sup> information concerning the current use of resources.

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The Bureau of the Budget, in its bulletin "Improvement of Financial Management in the Federal Government", makes this comment concerning the recent law requiring cost-based budgets and allotment simplification, ["..... allotments of funds should be made at the highest practicable level, consistent with the requirements of agency management for control of obligations, and any limitations on the use of funds imposed by the executive and legislative branches. Accounting processes other than allotments should be employed to develop necessary operating or management data through use of cost classifications."] (Underscoring supplied)

More accurate budget forecasts can be made when <sup>they are</sup> based on past experience reflecting the <sup>use</sup> total utilization of resources; for example, drawing stocks from inventory as well as the payment of salaries. A budget forecast <sup>based on</sup> current costs is more effective and understandable than one based on the <sup>use</sup> utilization of obligating authority <sup>because the latter reflects both current and future costs, such as procurement for future delivery.</sup>

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~~costs (salaries and travel) and some future costs such as procurement for future delivery.~~

In moving towards <sup>a situation wherein</sup> having allotments and costs serve their proper functions, the Organization experimented with <sup>a simplified allotment system,</sup> ~~allotment simplification~~ supported by cost center accounts, on a limited basis in fiscal year 1958. The results were sufficiently beneficial to warrant extending the simplification pattern to all <sup>components</sup> ~~units~~ of the Organization in fiscal year 1959.

The pattern for 1959 is as follows:

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Vouchered funds; # one allotment each for headquarters, ~~\_\_\_\_\_~~ and overseas <sup>components</sup> ~~segments~~ of the first organizational level under a deputy director.

Confidential funds; #

1. Allotments for each project requiring an administrative plan <sup>involving \$500,000 or a fixed</sup> or ~~over \$500,000 in approved amount.~~
2. Allotments by activity and country for overseas clandestine operations.
3. Allotments for headquarters, ~~\_\_\_\_\_~~ <sup>25X1A</sup> and overseas for all other operations of the first organizational level under a deputy director.

*Can we chart such a staggering amount in the support budget?*

*In those instances where management has indicated an interest in more detailed information,* cost center accounts have been established for each project, activities, or organizational elements ~~for which management desires operational data~~

below the allotment level. Although the 1959 pattern <sup>is</sup> still appears to be being refined, the number of allotments ~~for~~ <sup>has already been</sup> ~~complicated, it does reduce the number of allotments from 1958 by over fifty percent.~~ <sup>reduced over fifty percent.</sup>

The change in allotment structure must, of necessity, be gradual to assure understanding and to work out the operating problems <sup>resulting from</sup> ~~of systems~~ the adjustments of the system.

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The ultimate objective is to have single allotments <sup>for obligating authority</sup> for vouchered and confidential funds for the first organizational level under a deputy director, ~~for obligating authority~~ and as many cost center accounts as management at all levels <sup>may find</sup> ~~as many~~ necessary for the purposes of reviewing performance against planned and approved operations. To expedite the accomplishment of this objective, the Organization is experimenting with single allotments for two major organizational levels in fiscal year 1959.

The top-level management in the Organization believes that much benefit will derive from raising the <sup>level of</sup> obligating authority ~~level~~ to provide greater flexibility in the <sup>use</sup> ~~utilization~~ of Organization resources. <sup>This will facilitate</sup> ~~for~~ program planning and direction, and ~~from cost obligation information~~ <sup>use</sup> furnished to operating officials ~~to control and better evaluate daily operations.~~

*the cost and obligation information necessary to control and evaluate daily operations*

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Insert  
 In the adoption of cost-based budgeting principles, one of our first tasks will be the development of an accounting system designed ~~for~~ ~~not to serve~~ for cost purposes, since the adjustment of the existing system would not satisfactorily serve our purposes.

Substitute first sentence of second para

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TRANSMITTAL SLIP		DATE
TO:	[Redacted] <i>Stegmann</i>	
ROOM NO.	BUILDING	
REMARKS:		
<p>This is an article for the Support Bulletin. [Redacted] asked me to edit it and make it understandable to the general reader. This I have attempted to do. Please look it over, type a clean draft, and clear with Jim [Redacted] in Comptroller's Office. [Redacted] will clear with CEB.</p>		
FROM:		
ROOM NO.	BUILDING	EXTENSION

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FORM NO. 241  
 1 FEB 55

REPLACES FORM 30-4  
 WHICH MAY BE USED.

cleared by phone (47)